

SUBMISSION ON THE ECONOMICS OF HIGHER, FURTHER & TECHNICAL EDUCATION

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*In January 2016, NIACE and the Centre for Economic and Social Inclusion
merged to form Learning and Work Institute*

Learning and Work Institute

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ABOUT LEARNING AND WORK INSTITUTE

Learning and Work Institute (L&W) is an independent policy and research organisation dedicated to promoting lifelong learning, full employment and inclusion. We research what works, develop new ways of thinking and implement new approaches. L&W brings together more than 90 years history and heritage from the National Institute of Adult Continuing Education (NIACE) and the Centre for Economic and Social Inclusion (Inclusion).

SKILLS FOR PROSPERITY & FAIRNESS

The UK has a skills crisis: tackling this is central to future prosperity and social justice

The UK's skills profile has [long lagged](#) behind comparator countries, with particular weaknesses in basic skills (like literacy and numeracy) and intermediate skills.¹ Out of 34 OECD countries, the UK is 19th for low skills (GCSE equivalent), 24th for intermediate skills (A Level equivalent), and 11th for degree-level skills. Some 9 million adults lack functional literacy and / or numeracy. Participation in learning by adults has fallen in recent years.

As well as overall weaknesses in its skills base, the UK also has a [stronger link](#) than many countries between the educational attainment of parents and their children.² Put simply, your chances of achieving in education are highly correlated with how your parents did.

Learning and Work Institute have highlighted the profound consequences of this for:

- **Economic prosperity.** There is a clear link between skills and productivity, the ultimate driver of economic growth. The UK's productivity is lower than many other countries and has flatlined over the last decade, in part held back by poor skills;
- **Social justice.** Life chances are more closely linked to your family background than in other countries. Educational inequalities are a key part of this; and
- **Engaged citizens, health and wellbeing.** People engaged in learning are more likely to be active citizens (for example, to vote), and participation in learning is associated with increased health, wellbeing and financial capability.³

¹ Skills and poverty: building an anti-poverty learning and skills system, L&W, 2016.

² Making learning and work count: impact report 2016-17, L&W, 2017.

All of this matters even more as our economy and society change. We're living longer, working for longer, and the skills our careers need are changing all the time. Yet for too many learning is something that stops when we leave school: participation in learning is lowest among the least skilled adults, and little public investment is focused on adults.

We need a structural change in participation in learning and skills. The Government is taking a number of welcome steps, but these too often fall short of the scale of ambition we need. Our answer to the Committee's question of 'is the current structure of post-school education and training, and the way it is financed, appropriate for the modern British economy?' is simply no. This is clear from the evidence above of the UK's ongoing skills shortfalls, the impact this has on the economy and society, and falls in the number of adults participating in learning.

The rest of this submission sets out some of our rationale and proposals for change, focusing on the areas the Committee has asked us to explore.

EXPLAINING & ADDRESSING FALLING PARTICIPATION IN LEARNING BY ADULTS?

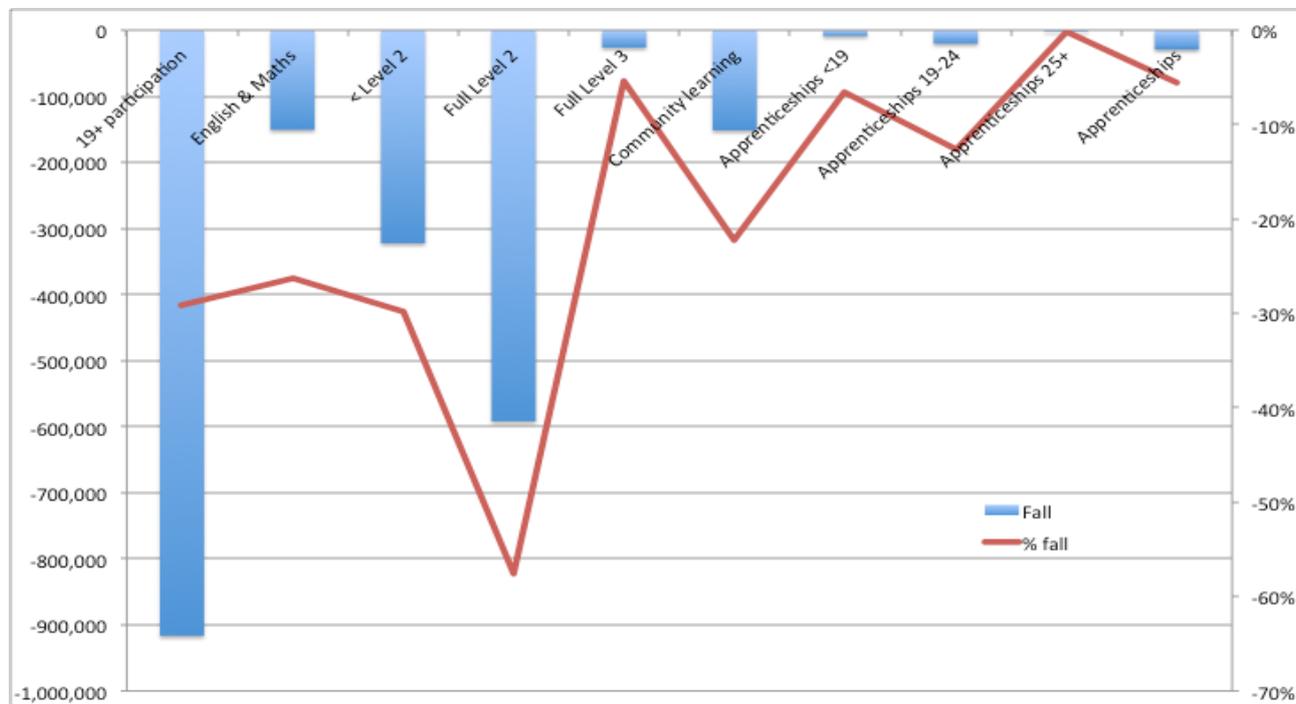
It is inarguable that participation in learning by adults has fallen. In terms of publicly funded Further Education for adults, Chart 1 shows the falls in the last five years. There are 900,000 fewer adults taking part in publicly-funded learning, including a one quarter fall in adults improving their literacy and numeracy.

This partly reflects cuts in public funding, which have both directly reduced the number of learning opportunities as well as outreach activity. In addition, outreach and delivery of learning needs to reflect people's changing lives, for example to fit with changing patterns of work and the growth in self employment. Rule changes have also had an impact, particularly for part-time and mature Higher Education (for example, equivalent or lower qualification rules).

So the declines are a result of funding cuts, rule changes, and the need to find new ways to engage adults and deliver more flexibly to fit people's lives.

³ Making learning and work count: impact report 2016-17, L&W, 2017.

Chart 1. Changes in adult participation in learning over four years to 2015/16



Learning is about more than publicly-funded provision. Learning and Work Institute regularly surveys adults to understand their learning participation, using a broader definition of learning. This measure shows a less dramatic fall, suggesting smaller falls in informal learning (such as on-the-job, community based etc). However, the survey shows stark divides in access to learning. Those from higher socio-economic groups are twice as likely to take part in learning, and participation in learning declines sharply with age.⁴

Sharp cuts in public funding, in the order of 30% for the Adult Education Budget, are clearly a large part of the reason for the falls in the number of adults improving their skills. Learning and Work Institute argues for increased investment in learning for adults, including £200m per year for adult basic skills so all adults can gain these skills by 2030. Alongside this we need flexibility in rules, policy and delivery, to engage adults and employers.

⁴ Participation survey, Learning and Work Institute, 2017.

Individual investment in learning

The introduction of Advanced Learner Loans (university-style loans for some learners at some levels) was intended to encourage people to invest more in their own learning to compensate for cuts in public funding. In practice, participation in learning covered by such loans has fallen by at least one third.

In part this is because the Government took an ‘if we build it, they will come’ approach, assuming providers would innovate to find new ways to attract adults and encourage people to invest in learning. In practice this has not happened. Partly this is because the focus of providers has been elsewhere - particularly on publicly-funded younger learners that make up the bulk of many colleges income, and on the introduction of the Apprenticeship Levy - and partly because there has been little strategic support and guidance to the market to adapt. Anecdotal evidence also suggests the language of loans is unhelpful with some prospective learners, particularly when little evidence is available on the potential returns in terms of increased earnings (compared, for example, to universities where regular data on earnings by course and institution are published).

To increase individual investment in learning, the Government needs to urgently review the Advanced Learner Loan system. [Learning and Work Institute has called](#) for the loan system to be widened to fund modules as well as full qualifications, and considering a change in name.⁵ We have also argued for a system of **Personal Learning Accounts**. These would put power in the hands of individuals, which we think would better engage people and encourage co-investment. These could form an infrastructure of engagement and investment. For example, recording existing attainment through an online portal, providing greater public investment for those on low incomes (such as Universal Credit claimants), and allowing people to pool together their accounts. Accounts could thus be a vehicle for engagement, as well as a mechanism for delivery and to increase investment.

Employer investment in learning

The Apprenticeship Levy, a payroll tax on large employers with the cash ring-fenced for apprenticeships, is intended to increase employer investment in skills. Learning and Work Institute welcomed the introduction of the Levy and it is too early to tell what its long-term impact will be. In addition, 98% of employers don’t pay the Levy.

However, [we have identified](#) risks that need to be addressed and some ways to do so:⁶

⁵ Power to the people: the case for Personal Learning Accounts, L&W, 2016.

⁶ Three million apprenticeships: building ladders of opportunity, L&W, 2017.

- **Maintaining investment over the economic cycle.** The Levy is a tax on payrolls, which tend to fall during downturns (because employment falls and pay growth is flat). The risk is the Levy means investment is cut during a downturn. Learning and Work Institute have argued that the budget should be underpinned over the cycle;
- **Ensuring sufficient funding for smaller firms.** The more of their Levy funds that larger firms spend, the less that will be left for smaller firms. Learning and Work Institute have argued that the Government should guarantee a minimum budget for small and medium sized firms;
- **Widening access to apprenticeships.** Incentives for employers and providers to ensure that under-represented groups can access apprenticeships are limited at best. Learning and Work Institute have argued for an Apprentice Premium, mirroring the Pupil Premium, to bring together and simplify incentives and support to widen access;
- **World-class quality.** There have been concerns over the quality and specificity of some apprenticeships. Learning and Work Institute have argued for a ‘two ticks’ system so that standards are approved by employers and benchmarked against the best in the world; and
- **Tackling inequalities in workplace learning.** Some early evidence suggests a rebadging of management training as apprenticeships and declines in apprenticeships at other levels. This could exacerbate existing inequalities in access to learning. Learning and Work Institute argues Government should consider ways to avoid this.

Lastly, apprenticeships aren’t everything. We need to develop alternative routes for employers and employees to develop skills in the workplace. This could include widening the scope of the Levy.

Ultimately, then, participation in learning by adults has fallen because of public spending cuts and the failure of investment by employers and individuals to rise to compensate for this. This is underpinned by the need for a much greater ambition to build a culture of learning across the country and tackle wider attitudinal and societal barriers to learning.

At the same time, funding incentives mean that current policy risks exacerbating current inequalities in access to learning, rather than tackling them. And too much policy operates in silos, leading to a complex array of programmes rather than a coherent set of pathways.

CONCLUSION & SUMMARY

Participation in learning by adults has fallen, and the UK started fairly low down the international league table. Demographic, economic and social changes compound the urgent need to reverse these declines.

Learning and Work Institute's key recommendations can be summarised as follows:

1. National mission for lifelong learning, backed by public investment

Building a culture of lifelong learning and increasing participation by adults should be a national ambition. This does require increased public investment, targeted where it will make most difference. Most pressing is an extra £200m per year to double the number of adults improving their literacy and numeracy, so all adults can gain these skills by 2030.

2. Public policy focused on flexibility and integration of support

We need greater flexibility in policy and funding (for example, recognising that people and employers value modules of qualifications). It also means integration of services, for example with health services recognising the health and wellbeing benefits of learning, and employment services the role of skills in helping people build careers.

3. Individuals empowered and investment unlocked

Public policy should seek to increase investment by individuals, through a more flexible learner loan system and a new system of Personal Learning Accounts, and new approaches to flexible Higher Education throughout life. Alongside this, we need a broader approach to the value of learning across a range of public policy and services as part of a wider national goal to increase participation in learning.

4. Employers encouraged to invest in those with the lowest skills by a reformed Apprenticeship Levy

The Apprenticeship Levy will take time to bed in, but is welcome. To make it work effectively, changes are needed to policy and funding rules so that everyone can benefit from in-work training. We also need to consider how best to engage the 98% of employers that don't pay the Levy and put the same effort into widening participation in Higher Apprenticeships as in higher education more broadly.

FURTHER DETAILS

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